

APPENDIX 2

Full Business Case

Commercial Waste Collection Services

Options to support future growth and income generation.



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1. Executive Summary

- 1.1. All businesses have a Duty of Care to manage their waste and ensure it is disposed of responsibly.
- 1.2. Local Authorities have a duty to support businesses dispose of their waste responsibly if requested, but unlike domestic waste, the service can be charged for, with an expectation that all costs of this service will be covered by the customer.
- 1.3. As Commercial waste has to be collected separately from Domestic Waste Collections, there are increased costs in providing this service on top of the domestic service.
- 1.4. Due to this, most local authorities face such high costs in setting up the resources to provide a service (with no secure customer base to protect the investment), that they actively direct businesses to the private sector, or adjacent authorities that are able to provide this service at lower costs than the actual host authority could operate.
- 1.5. This Business Case outlines the successful growth of our existing Commercial Waste services, and summarises options to secure this income generation for the future through investment to consolidate and further grow the business to generate a greater surplus for the Council that can offset additional expenditure needed across Environmental Services.

1.6. Recommendations:

- 1.6.1. Approve increased revenue funding to employ 6 additional members of staff to deliver Commercial services across the District and increase income generation for Bromsgrove District Council.
- 1.6.2. Approve Capital Funding to support the purchase of 2 additional vehicles to provide capacity to grow the existing business, and provide resilience within the service against service disruption through vehicle breakdowns.

2. Introduction

- 2.1. All waste generated by businesses is classed as commercial waste, for which they have a legal Duty of Care to dispose of responsibly under the Environmental Protection Act 1990.
- 2.2. Bromsgrove District Council also has a legal duty to provide a household service to its residents, and to support businesses in the completion of their duty of care if requested.
- 2.3. Although domestic waste collection of residual waste and dry recycling cannot be charged for, the Council is able to charge businesses who require this service at a rate to be determined by the Council to recover the costs of administration, collection and disposal.
- 2.4. As there are a number of large waste collection businesses operating nationally, and regionally, there is a lot of choice available for businesses to choose from, and many local authorities are not able to compete with the private sector on price, and so are never called upon to fulfil this duty, although local authorities do have certain benefits such as exemption from charging VAT to customers within their authority area, that allows them to be more competitive.
- 2.5. Bromsgrove District Council has operated a Business Waste service since 2008 for Residual Waste, which has seen significant growth in the last two years as a result of a change in focus and greater drive to grow the service, resulting in £600,000 of income in 2018/19. £230,000 over our original forecast for this year as a result of significant growth with a number of significant national brands as well as smaller local businesses trusting us to manage their waste collection.
- 2.6. In addition to this, the service started offering a recycling collection service in 2017/18 for existing customers to help create additional capacity within the service and attract new business from those keen to support the environment.

- 2.7. What was originally intended as a trial in conjunction with our domestic recycling collection service has proven extremely popular and has grown to become an additional collection round operating as a commercial activity alongside our existing commercial residual collection operation, generating a significant boost in income generation as shown above.
- 2.8. This resource is not built into the structure of Environmental Services, and has put additional strain on the wider service, as well as increased the risk of service failure, as this additional recycling collection service is currently being operated using a vehicle that has been replaced on our Capital Replacement programme, and is now 8 years old without a dedicated maintenance budget to support it.
- 2.9. In addition to the growing Commercial Waste Collection services, we also operate a Cess Pool Tanker service, which has also benefitted from renewed focus in the last 12 months, and is on track to grow its income beyond the current target of £204,000 in 2019/20.
- 2.10. These two service elements have now reached a point where further growth is no longer possible with existing resources, and a decision needs to be made on how the service should progress from its current position.
- 2.11. The service has an opportunity to grow the Commercial Services to generate additional sustainable income for the Council, although additional investment is needed to fully realise this, and so this Business Case sets out the options for the future of this service, and the wider context of how this service supports our other services across Environmental Services.
- 2.12. This Business Case is being presented alongside two other Business Cases to review:
- 2.12.1. The stabilisation of our Domestic Waste Services prior to a full service review
 - 2.12.2. Options to address the changes in demand being generated by new housing and increased littering on our road networks, and how the Place Teams can meet this growing challenge.

2.13. This Business Case should be considered in parallel with these business cases, as our Commercial Services are integral to meeting the financial pressures on the Council whilst supporting full delivery of services to our residents in line with our Strategic Purpose: Keep our Place Safe and Looking Good.

3. The Strategic Case

3.1. Our current combined Domestic and Commercial Waste Service supports two of the Council's key priorities identified in the Council Plan:

3.1.1. Financial stability for the Council

3.1.2. Quality services for residents, with affordable charges where appropriate

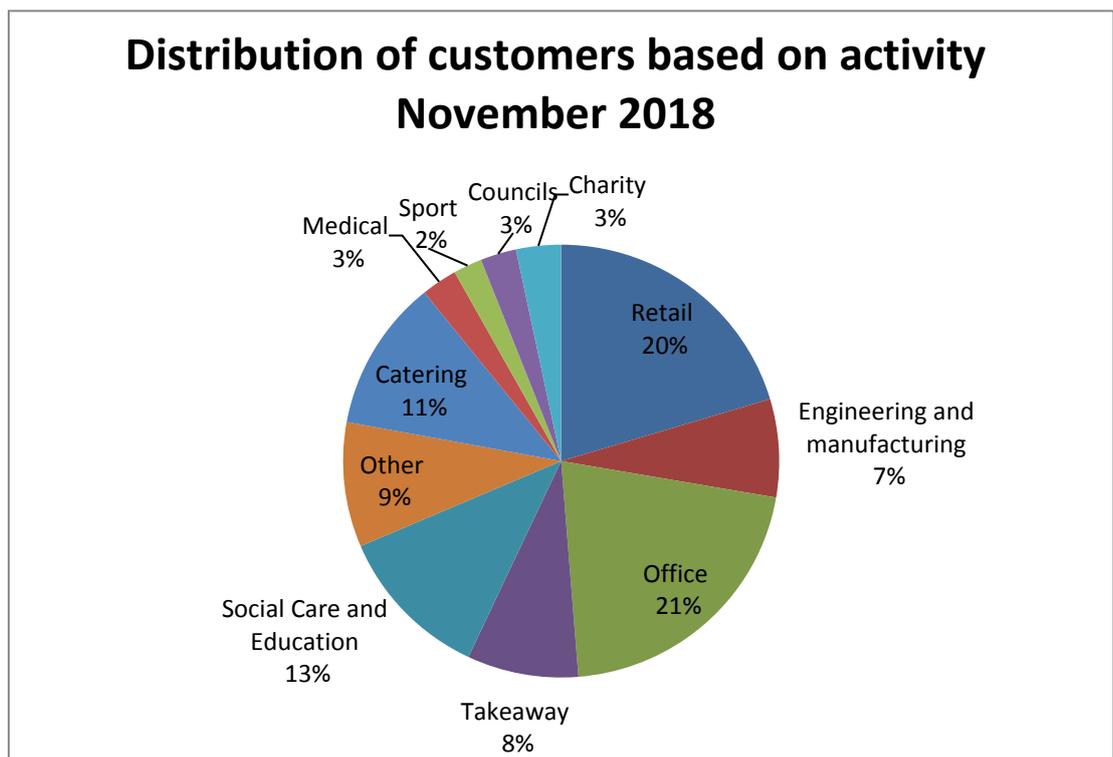
3.2. In addition to supporting these priorities, The Waste service supports the following strategic purposes:

3.2.1. "Keep my place safe and looking good"

3.2.2. "Help me run a successful business"

- It does this by providing a fully integrated and economical method of waste management for local businesses.
- By easily being able to take advantage of environmentally acceptable waste disposal.
- By attracting like-minded business and associated benefits including supply chain and environmental management system controls.
- By safeguarding or enhancing employment opportunities for the local community in dealing with waste and recycling close to where it is generated; the proximity principle.

3.3. Our current Customer base is made up of the following business areas:



3.4.

3.5. The Case for Change

3.6. Since 2015, our Commercial Waste and Cesspool Services have seen an increase in workload (and income) as a result of our growing reputation, and increased housing stock across the District has generated a greater workload on domestic waste collection services as well as our cleansing and grounds operations.

3.7. This pressure, in concert with standard leave requirements and both short and long term sickness across Environmental Services, has resulted in a shortage of staff to support both elements of the service at peak times of annual leave/sickness, and left little flexibility to support the range of services that we operate on a daily basis.

3.8. The Council started the 2018 financial year with funding for the following resources in our structure (Unchanged from 2017/18 Financial Year):

- 51 Staff.
- 13 full crews 9 Domestic & 4 Garden (39 staff)
- 2 crews of 2 Commercial Residual Waste Collection, & a Rural Domestic Round. (4 staff)
- 1 Tanker Cesspools (1 staff)

3.9. That is 44 staff needed every day on the books, leaving 7 Spare Staff every day to cover A/L & Sickness (based on that staffing model). As the Waste Services team need 6 staff every day to give holiday cover over the course of the year.

3.10. However, operationally this has expanded due to growth of the services, but without a formal review process to formalise them in our structure:

- 1 Crew of 2 - Trade Recycling (2 staff) – New service grown to meet demand, and generating income.
- 1 Tanker - Cesspools (1 staff) – Continuing growth in customer base
- Bin Deliveries (1 staff) – Full time role with new properties and increasing trade waste customer numbers

- 1 Crew of 3 - Round 11 (3 staff) - Used to accommodate New Builds across the District and share the load on existing rounds.

3.11. The existing model with a combined domestic and commercial service suffers from a lack of clarity over resources to support defined services, and has caused tensions within the team as attempts are made to balance commercial pressures relating to contracted chargeable services, alongside the importance of delivering a household service to our residents.

3.12. The Domestic Waste Business Case reviews staffing on the domestic service in full, and outlines recommendations to address this shortfall and support our domestic services.

3.13. This Business Case focuses on the Commercial Services Team, and considers options to formalise the team as a separate entity to our domestic services in order to remove this conflict and ensure greater transparency regarding the full costs of the service as well as support the continuing development of a commercial mind set towards services, recognising the difference in skills required to succeed in a competitive business environment.

3.14. Benefits & Risks

3.15. The Risks associated with not investing in the service are significant, both for the short and long term income generation of the Council.

3.16. In 2012/13, the Council was winding down its Commercial Services with a view to selling the customer list as a going concern for the private sector.

3.17. This resulted in a drop in service to businesses, and a period of limbo for both customers and staff, as resources were limited, and a number of problems affected the service.

3.18. Although the decision was made to continue with the service as a commercial venture, there had been a significant drop in customer numbers as businesses made use of the private sector to meet their waste needs, and the service had no ownership of its customer base.

- 3.19. The demands of Commercial Waste Collection are far more significant on vehicles than domestic waste collection, as the weights being collected can be significant.
- 3.20. Until 2017, the Council only had one custom built Commercial Waste Collection vehicle available to support services, and when this was unavailable, there was a significant impact on services, with inconsistent communication to manage the issues.
- 3.21. A similar position existed around our Tanker service as well, and between 2012 and 2016, the Council lost many customers (both domestic and Commercial) as a result of failures in our service, and it has taken time and demonstrable security of service to win back this business and attract new investment.
- 3.22. Changes made during 2017 have strengthened the service and supported a more commercial approach to how we deal with our customers at every level, and this has been shown in the growth of the business over the last three years, but has still been associated with quite a high level of risk, as it has relied on an older vehicle modified to support the Commercial Waste service alongside a custom built vehicle.
- 3.23. The Tanker service has by comparison seen investment in a new Tanker in 2017 alongside a significant refurbishment of an older vehicle to increase the resilience of the service and support additional income through reactive partnerships with third parties in the Septic Tank repair business across our area.
- 3.24. Although the service is not at risk of failure in the short term, consolidating the existing customer base reduces our visibility in the local marketplace, and makes it harder to maintain a competitive presence in the waste collection business.
- 3.25. The service is also at Capacity for existing business, and so has limited capacity to support further income generation to offset upcoming costs across the rest of Environmental Services and the Council as a whole.

3.26. Current Staffing & Resources¹

Commercial Services Staffing

	No. Funded	Budgeted Expense	Actual Usage	Actual Expense 2018/19
ESO 3 Driver	2		4	
ESO 1 Loader	1		2	

3.27. The Service is funded based on a single 26 Ton Collection Vehicle for Commercial Waste, and a single Tanker for Cess Pool emptying. In Practice, there is a second tanker and a second Collection Vehicle being used, that have been kept beyond the normal Capital Replacement lifespan. Although their initial cost has already been accounted for, there are no maintenance budgets for their upkeep, and this is a pressure on the service.

4. The Economic Case

¹ For Costs info, please see Appendix 4.

4.1. Long List Options

Option One	Do Nothing
Option Two	Increase Staffing Expenditure to formalise current staff requirements (+ 2 ESO 3's & 1 ESO 1) and consolidate service with purchase of a second dedicated Commercial Recycling Vehicle.
Option Three	Increase Staffing Expenditure to formalise and enhance current staff requirements (+ 3 ESO 3's & 2 ESO 1's) and purchase a dedicated Commercial Recycling Vehicle and a Second Commercial Residual Waste Collection Vehicle.
Option Four	Sell Commercial Services Team to Private Sector
Option Five	Invest in setting up Local Authority Trading Company to operate Commercial services

4.2. These Options are considered the most practical options to support the service, and deliver the improved standards required to deliver our Strategic Purpose.

4.3. In order to support the decision making process and identify a preferred option for the Council, these options are subject to a review process to scrutinise their ability to deliver the outcomes required, and provide a short list of the options warranting more detailed assessment.

4.4. The key outcomes that have been identified are detailed below, and each one has a maximum score that reflects the importance of that criteria in delivering our Strategic Purpose:

- **Spending Objective** – 10 - This relates to the Council’s financial pressures, and whether the proposed option is factored in to the financial planning of the Local Authority.
- **Strategic Fit** – 20 - This quantifies how well the proposed option supports the Council Plan and our Strategic Purpose

- **Meets Business Needs** – 15 - This score reflects if the proposed option will support the Council in delivering the service required by residents with the lowest risk of failure.
- **Maintain Standards** – 30 - This score reflects whether the proposed option meets the minimum requirement to maintain provision of the service at a viable level, with a low risk of significant failure.
- **Support Improved Standards** - 5 – This scores the potential of each option to improve the overall standard of service.
- **Capacity to support Increased Income Generation** – 5 - This recognises flexibility to support chargeable works to generate income in addition to the core work required maintaining the District.
- **Affordability** – 15 -This gives each option a score based on its variance from current funding.

4.5. Evaluation Criteria for Appraisal and Analysis for Long List Options

		Do Nothing		Increase Staffing Expenditure to formalise current staff requirements (+ 2 ESO 3's & 1 ESO 1) and consolidate service with purchase of a second dedicated Commercial Recycling Vehicle.		Increase Staffing Expenditure to formalise and enhance current staff requirements (+ 3 ESO 3's & 2 ESO 1's) and purchase a dedicated Commercial Recycling Vehicle and a Second Commercial Residual Waste Collection Vehicle.		Sell Commercial Services Team to Private Sector	
Evaluation Criteria	Weighting for Scoring	Option One		Option Two		Option Three		Option Four	
Spending Objective	10	Yes	10	Yes	10	Yes	10	No	0
Strategic Fit	20	No	0	Yes	20	Yes	20	Yes	20
Meets Business Needs	15	No	0	Part	7.5	Yes	15	Part	7.5
Maintain standards	30	No	0	Yes	30	Yes	30	Yes	30
Support improved standards	5	No	0	No	0	Yes	5	No	0
Capacity to support Increased Income Generation	5	No	0	No	0	Yes	5	No	0
Affordability	15	Part	7.5	Yes	15	Yes	15	Part	7.5
	100		18		82.5		100		65

4.6. Short List Options

4.7. Following the initial Evaluation and Appraisal process to determine which options best meet the criteria set out by the Business Case, Options 2, and 3 present as the highest scoring options, and are summarised below for further consideration.

4.8.

Option Two	Increase Staffing Expenditure to formalise current staff requirements (+ 2 ESO 3's & 1 ESO 1) and consolidate service with purchase of a second dedicated Commercial Recycling Vehicle.
Option Three	Increase Staffing Expenditure to formalise and enhance current staff requirements (+ 3 ESO 3's & 2 ESO 1's & Sales Role) and purchase a dedicated Commercial Recycling Vehicle and a Second Commercial Residual Waste Collection Vehicle.

4.9. A full cost benefit analysis identifying relevant benefits and costs for each of the short listed options is shown below²:

	Consolidate Service	Consolidate & Expand
	2	3
Change to staff levels	3	6
Changes to Vehicles Numbers	1	2
On-Going Costs		
Staffing Costs (yearly)		
Vehicle Cost (Yearly - Running Costs)		
Capital Cost		
Capital Depreciation Costs		
Total Revenue Cost	£149,054	£245,723
Total Capital Cost	£170,000	£340,000

² For Costs info, please see Appendix 4.

4.10. Risk Assessment

4.11. Scored on a scale of 1 – 3, the chart below identifies the level of risk to the authority arising from each option:

Individual Scores: 1 - Low. 2 - Med. 3 - High	Option Two	Option Three
Fails to deliver security of service	2	1
Financial Risk of failing to achieve aims	2	1
Resources	1	1
Decrease in Customer Satisfaction & Retention	2	1
Negative Impact on other Council Services	2	1
Total Score:	9	5
	Medium	Low

(1-6 Low Risk, 7 - 12 Medium Risk, 13 - 18 High Risk)

4.12. After assessing the quantitative and qualitative costs and benefits of the two options, Option Three is considered the preferred option, and is put forward as the proposal to continue growing the Commercial Services Portfolio to generate additional income for the Council and support the Council’s Strategic Purposes.

4.13. Recommendation:

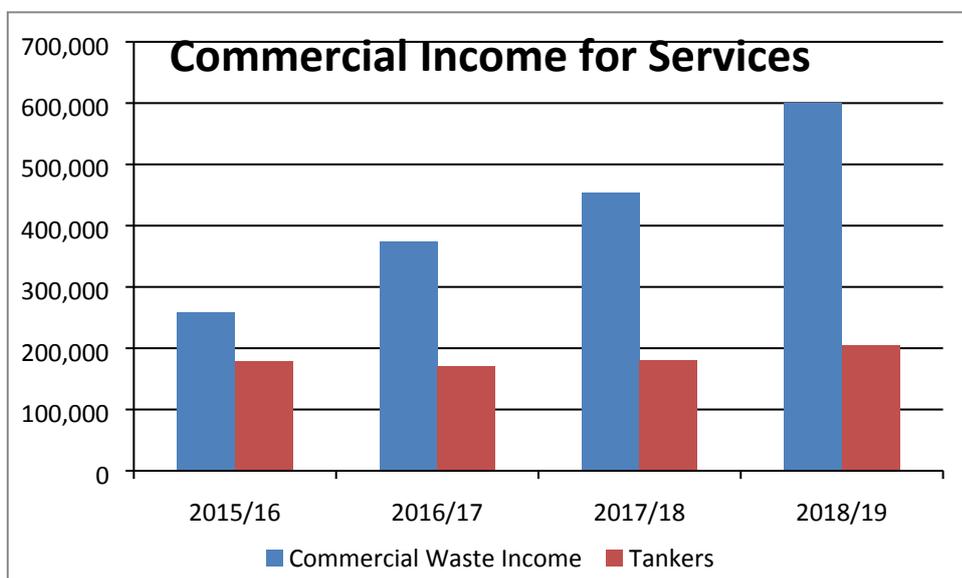
Option Three	Increase Staffing Expenditure to formalise and enhance current staff requirements (+ 3 ESO 3's & 2 ESO 1's & Sales Role) and purchase a dedicated Commercial Recycling Vehicle, and a Second Commercial Residual Waste Collection Vehicle.
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5. The Commercial Case

5.1. Since 2015, the Commercial Waste Collection Service has grown from an annual value of £258,000 (gross) to one expected to achieve in excess of £700,000 (gross) in 2019/20, with nearly 800 customers, and 158 of those using both our residual and recycling services. A 73% increase in the numbers of customers, alongside some of our best known local and national businesses, including an increased presence across Bromsgrove and areas in adjacent authorities based on growing relationships with retail chains as well as individual names.



5.2. By comparison, three years ago we had a customer base of 549 customers, solely on residual waste collections across the Bromsgrove and Redditch Area.



5.3.

5.4. Our Tanker Service has also seen growth in this timeframe, increasing income from £178,000 in 2015/16 to a forecast £214,000 in 2018/19, through a combination of increased frequencies from existing customers, and over 200 new customers choosing to use our services in that time period.

5.5. Although our costs have increased in line with the volume of new work being carried out, this is still on target to generate a surplus of £176,000 in 2018/19 for Bromsgrove District Council after all expenses have been accounted for.

5.6. In concert with the business cases being put forward for our Domestic Waste Services, and Place Teams, the preferred option will generate future income that will both support the growth of our domestic services by reducing additional expenditure using public funds in the short term, but will also grow to generate an additional financial surplus that can be used to safeguard Council Services in the future.

5.7. Below is a forecast of the investment and conservative estimates of returns expected over the next three years, based on the preferred option: ³

	2018/19	2019/20	2020/21	2021/22
Hire				
Insurance				
Disposal				
Fuel				
Maintenance				
Crew Salaries				
Other Staffing				
IT (Incab & Webaspex)				
Tankers Staff Cost				
Tankers Operational Cost				
Advertising & Promotion				
Total Expenditure				
Commercial Waste Income				
Tanker Income				
Surplus	-£175,856	-£196,172	-£236,222	-£268,503

5.8. One uncertainty built into this forecast is how effective a dedicated Sales Role will be in driving customer growth.

³ For Costs info, please see Appendix 4.

- 5.9. This Sales Role has been Job Evaluated as a Grade **X** role, at a cost of £**XXXXXX**, and growth figures included in the forecast returns at Section 5.7 above have been forecast based on growth levels achieved over the last two years using existing resources, plus a target of recovering the salary costs of the sales person from Year 2, and further cost recovery up to 150% of their salary in Year 3.⁴
- 5.10. It is expected that the dedicated Sales Role will not increase the rate of new customer take up immediately, and the benefit will be seen from the start of Year 2, as they will work to build relationships with businesses tied to existing contracts with our competitors that will then translate to new business for Bromsgrove District Council in 2020/21.
- 5.11. The Council has a standard recruitment process for advertising the roles, and interviews will be carried out using the same model used on previous recruitment processes in the last 12 months, with a combination of Practical Exercises and a formal interview that focuses on the Commercial skills we have identified as having been so crucial to achieving the increase in business and reputation achieved by the team in the last three years and ensure we are taking on the right staff to support the business moving forwards.
- 5.12. New staff will be subject to a 6 month probation period, and will be given training to carry out all elements of the role in stages that allow us to develop their skills to support the team, and support operations to the standard required.
- 5.13. Existing staff will also receive refresher training and mentoring alongside the new staff in order to help integrate the teams and support consistent standards.
- 5.14. Additional Vehicles will be ordered through existing procurement arrangements to achieve best value, but as they are made to order there will be approximately a 6 – 9 month delay on receipt of the necessary vehicles, which will require us to continue using an older vehicle in the interim to meet all of our commitments.
- 5.15. This increases the risk of unexpected costs in that time frame, due to break down and possibly the need to hire a vehicle in, but it is believed that this risk is low and that there are sufficient vehicles available within the Environmental

⁴ For Costs info, please see Appendix 4.

Services arrangements that short-term failure can be covered at minimal cost in this time frame.

6. The Financial Case

6.1. This Business Case is being presented alongside similar Business Cases to support growth of the Domestic Waste Collection Service, and our Place Teams, and the benefits of this business case are intended to be integrally linked with those business cases in order to offset their additional costs without adversely affecting the Council's bottom line.

6.2. The Commercial Services Business Case requires the following investment for the 2019/20 financial year to realise the income generation summarised in section 5.7.

Staff & Training	£160,558
Vehicle Operating Costs	£24,000
Total Revenue Investment in Commercial Services	£184,558

Capital Vehicle Purchases	£340,000
Total Borrowing Cost to fund Vehicle Purchases	£379,130
Annual Repayment of Borrowing Costs for Capital Purchases (7 Year Re-payment Period)	£54,162

Combined Annual Revenue Cost to Bromsgrove District Council:	£243,720
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6.3. Overview of these costs alongside the Business Cases for Place Staffing and Commercial Services:

Overall Operational Costs	
Combined	£131,321
Place	£166,697
Domestic Waste	£156,646
Commercial Services	£184,558
Additional Income	-£376,580

Capital Borrowing Cost (with Interest)	
Combined	£531,898
Place	£0
Domestic Waste	£152,767
Commercial Services	£379,130

Annual Borrowing Costs	
Combined	£75,985
Place	£0
Domestic Waste	£21,823
Commercial Services	£54,162

6.4. When considered as a suite of Business Cases, and considering the forecast growth of our Commercial Services in the first three years, the overall impact of the preferred options on current finances are positive, with all of the increased costs expected to be balanced in 2022/23.

6.5. However, it is believed that approval of the Commercial Services Business Case in isolation would likely lead to a cumulative service failure of the domestic waste service, and undermine the ability to accurately review the current service and offer up alternative models that may make better use of existing resources to limit future expenditure, or offer up savings.

7. The Management Case

- 7.1. Should this business case be agreed for funding, a recruitment process will be followed to attract people with the balance of skills and ability to support the Council in delivering its strategic purposes "To keep my place safe and looking good", and "Help me run a successful business".
- 7.2. As these staff will be a key part to the future delivery of the service, they will receive both practical training in the use of equipment and more specific support to develop the right approach to apply the Place thinking approach to everything they do. The precise format of this training would depend on the individuals, and would be tailored by our Coordinators in a mentoring approach to develop them and continue to support this approach with our existing staff with an emphasis on proactive maintenance using the additional resources.
- 7.3. New starters will be subject to a 6 month probation period, and clear targets will be set regarding performance as part of the Place Team, alongside the mentoring approach by Coordinators that will be used to support their integration into Environmental Services.
- 7.4. This will be managed informally on a daily basis, and formally through monthly 1:1's in line with existing policies and practices – albeit on a greater frequency to ensure that the staff are able to support our work going forwards and continue developing people with the right skills and mind-set to develop through the organisation as succession planning.
- 7.5. These services will be measured through both qualitative and quantitative data including the following measures:

1	New Residual Customers
2	New Recycling Customers
3	Number of Bins being paid for
4	Customer Retention
5	Missed Collections
6	Variance from Financial Income Targets
7	Recycling Tonnages
8	Residual Tonnages
9	Variance from Financial Income Targets
10	Mileage
11	Working Time
12	Travelling Time
13	Sickness Rates
14	Staff Welfare - Physical Health
15	Staff Welfare - Mental Health